

APPROVED MINUTES
CITY OF MILPITAS
BUDGET STUDY SESSION

Minutes: Special Meeting of the Milpitas City Council
Date of Meeting: March 31, 2005
Time of Meeting 6:30 p.m.
Meeting Location: Committee Room, Milpitas City Hall

I.
CALL TO ORDER

Mayor Esteves called the Special Meeting of the City Council at 6:30 p.m. Present were: Mayor Esteves, Vice Mayor Gomez, and Councilmembers Livengood, Giordano, and Polanski

II.
PLEDGE OF ALLEGIANCE

Mayor Esteves led the pledge of allegiance.

III.
CITIZENS FORUM

Mayor Esteves invited members of the audience to address the Council on any subject not on the agenda.

A member of the public expressed concern regarding the general revenue and expenditure trends.

IV.
REVIEW POTENTIAL GENERAL FUND BUDGET PROPOSALS AND PRIORITIES
AND PROVIDE DIRECTION TO STAFF

City Manager Lawson stated he requested this Study Session in order to brief Council on the budget for FY05-06 and seek Council direction. He noted that the budget deficit is \$5.35 million and that most departments are operating at top efficiency. He further noted that all departments are operating with vacancies and many under budget. He stated in order for the City to balance the budget, it is going to require all City departments to operate with some vacancies, including Fire and Police. He stated he is proposing no salary increases this year and maintaining employee benefits at the current level. He outlined the order of the meeting and asked Emma Karlen, Finance Director, to make a presentation on the budget.

Emma Karlen, Finance Director, gave a Power Point presentation on the General Fund revenue and expenditure trends that included General Fund Budget comparison FY05 versus FY06, employer contribution to PERS rate increase as well as other cost increases (salary, medical, supplies and services, equipment and vehicle replacement costs), revenue decline and State takeaways, cost savings in the last four years, budget strategies to close the \$5.35 million gap, General Fund budget solutions, and projected General Fund reserve status.

Councilmember Livengood inquired about the proposal of no salary increases. He suggested that staff provide a year-by-year report on increases in salary and benefits, and compare them to this year. He inquired who is working within the overtime budget and requested information on how all departments are doing versus actual budget.

Mayor Esteves inquired about how much was projected for benefits. He expressed concern about the cost of benefits and asked what the cost was to the City. He requested staff advise Council how much benefits will rise next year, and requested a breakdown of salaries, benefits, workmen's compensation, and retirement. He stated he felt this was the source of the deficit. Mayor Esteves requested information on vacancy savings versus overtime and the trends in payroll. He asked what line items will not be spent in the proposed 5% budget cut and expressed concern that employees are being paid fairly if there are no salary increases.

Councilmember Giordano inquired what factors were used to determine the revenue increase between FY05 and FY06, and if the 10% was for the entire City or just Public Safety. She further inquired about the amount of overtime and did it make sense to fill vacancies. Councilmember Giordano inquired what formula is used to submit the budget and requested a projection for medical expenses for 2006. She inquired if Public Safety would be operating at optimum efficiency within the current constraints and if basic City services are being maintained.

Councilmember Polanski requested information about personnel costs related to longevity increases including the number of employees and percent increases. She noted that it appears that 96% of the budget goes to employees. She requested what percent goes to personnel costs and suggested capping medical benefits at a fixed amount and ask for employee contributions to fill the gap.

Vice Mayor Gomez inquired about police vehicle replacement and how long a vehicle is kept. He inquired if staff would be presenting proposed service cuts this evening and if there are any duplication of services that other agencies can carry, especially within the Recreation Department.

Councilmember Polanski requested that each department give a brief overview of what the 5% reductions will be and the impact on services.

Each Department Head and the City Manager gave a brief presentation on what cuts they are proposing at the 5% reduction level, the impact, and responded to questions posed by the Council.

A member of the public inquired how many vacancies the City currently has and was advised there were currently about 40 vacancies.

Mayor Esteves expressed concern about reducing services to the public.

Vice Mayor Gomez expressed concern about response times for Fire and Police. He requested that staff bring back the Council budget for review.

Councilmember Polanski requested the City Manager and Council budget be brought back to Council so they can review their 5% cut.

The Council expressed concern about reductions for the 4th of July events and requested staff look at other funding sources such as the Downtown Association and the Chamber of Commerce.

Mayor Esteves commented that he did not attend the Mayors' Conference as well as many other conferences. He stated he attended some conferences at his own expense and Councilmembers also did not attend several meetings as a cost saving measure.

Vice Mayor Gomez stated he and Councilmember Giordano would work on an unfunded needs list so they can prioritize the list when funding is requested.

Councilmember Livengood stated that staff has done a good job in coming in under budget. He would like to focus on response times in the police and fire departments and redeploying personnel to be more efficient. He further stated that labor negotiations should get done in a timely manner and that they are fair agreements.

Councilmember Polanski stated she appreciated how the City and employees have done more with less. She would like to do implement the 5% budget reduction.

Councilmember Giordano stated she appreciated having this meeting. She stated she would like to keep Public Safety running optimally as well as keeping core services. She stated she is in favor of holding the line on salaries and benefits in labor negotiations with no layoffs.

Mayor Esteves stated he would consider increases to residents for services, take a second look at all programs and services, start labor negotiations, requested a salary comparison report in relation to other cities, and requested a report on the long term impact report to the City for salaries, PERs, Medical, and Retiree Medical.

City Manager Lawson asked if the Council was in agreement on the recommended strategies to fund only 95% of the operating budget, freeze hiring of all vacant positions, and reduce work force through attrition at the City Manager's discretion.

Mayor Esteves and Councilmember Polanski requested a PERS and medical rate increase review.

MOTION to approve staff's recommended strategies to fund only 95% of Operating Budget, freeze hiring of all vacant positions, and reduce workforce through attrition.

M/S: Gomez, Giordano

Ayes: 5

V.

ADJOURNMENT

There being no further City Council business, Mayor Esteves declared the meeting adjourned at 9:10 p.m.

Respectfully submitted,

Donna Biles,
Deputy City Clerk

**The foregoing minutes were approved by the City Council as
submitted on April 19, 2005**

Donna Biles

Date